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Assessable Unit: (Mailing address and phone number)

**Function**. The function covered by this checklist is the administration, operation, and management of Morale, Welfare, and Recreation (MWR) Activities and Nonappropriated Fund Instrumentalities (NAFIs).

**Purpose**. The purpose of this checklist is to assist MACOM and installation personnel responsible for MWR activities and NAFIs in administering APF and NAF resources, MWR activity reporting requirements, managing MWR programs, and other NAFIs in evaluating their key management controls. Many of the questions are also pertinent to NAFIs other than the Installation MWR Fund MWR activities. This checklist is not intended to cover all controls.

**Instructions**. Answers must be based on actual testing of key management controls, such as document analysis, direct observation, interviewing, sampling, and simulation. Answers that indicate deficiencies must be explained and corrective action indicated in supporting documentation (i.e., material weakness form and DA Form 11-2-R). These key management controls must be formally evaluated at least once every five years. Certification that this evaluation has been conducted must be accomplished on the enclosed DA Form 11-2-R (Management Control Evaluation Certification Statement.)

**Supersession**. This appendix replaces the checklists previously published in:

- a. DA Circular 11-87-3, for AR 215-1, Base Support Services, General Welfare and Recreation; and for AR 215-2, Base Support Services, General Welfare and Recreation.
- b. DA Circular 11-91-2, for AR 215-2, Base Support Services, General, General Welfare and Recreation (Amusement and Vending Machine Operations).
- c. DA Circular 11-92-3, for AR 215-2 (para 5-35 and 5-36), Personnel, Hotel Operations.

**Comments.** Help make this a better tool for evaluating management controls. Submit comments to the Commander, U.S. Army Community and Family Support Center ATTN: CFSC-SP, 4700 King Street, Alexandria, VA 22302-4419.

You must checkmark the response and the appropriate testing approach for each test question. Test questions that are marked as "N/A", don't require a testing approach checkmark.

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#### **PAGE 2 OF 13 PAGES TESTING** RESPONSE **APPROACH** a. Chapter 3. NAFI legal status. (1) Are reported violations pertaining to waste, loss, mismanagement, and unauthorized or improper use of NAFs investigated per AR 15-1 or this regulation and penalties administered as prescribed under the Uniform Code of Military Justice for military personnel, AR 215-3 for NAF personnel, and regulations applicable to APF personnel? П (2) Is IRS Form 8027 filed by the NAFI to the IRS declaring tip income and allocated tips? b. Chapter 4. Funding. (1) Are authorizations for APFs for the various elements of expense adhered to as prescribed in appendix D? (2) Are NAFs generated from individual NAFIs used to support only those programs managed within the individual NAFIs, (unless otherwise authorized in this regulation or other policy)? (3) Are reimbursements to volunteers made in accordance with the expenses authorized and for services П provided recognized programs? c. Chapter 5. Fund managers/councils. Does the IMWRF council or other NAFI council review the

operations of the NAFI triennially to assure the purposes for its establishment and continuance remain valid?

Is this validation also part of the fiscal year budget?

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	RES	RESPONSE			ΓING ROACH		
TEST QUESTIONS - COntinued -	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation
d. Chapter 7. Administration of NAFIs and MWR activities.							
(1) Resale. Has written agreement been obtained from the regional director of the servicing exchange before offering exchange authorized services and merchandise (per AR 60-20) through MWR activities?							
(2) Alcohol policy.							
(a) Are all employees involved in selling alcohol trained, using the Alcohol Sellers Intervention Program (ASIP) or other approved programs, within 30 days of hire/assignment and then at least annually?							
(b) Is a current Federal retail or wholesalers' beverage license on hand at facilities authorized to sell alcoholic beverages?							
(c) Does seller/server require identification from purchaser of alcohol if seller/server questions minimum age requirement?							
(3) Safety. Are individuals using hand tools, power tools and other specialized equipment required to qualify prior to use and are records maintained and updated every five years?							
(4) Commercial sponsorship.							

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TAGE 4 OF 13 TAGES	RES	RESPONSE			TING ROAC	<u> </u>	
TEST QUESTIONS - Continued -	Y E S	N O	N / A	<b>Document Analysis</b>	Direct Observation	Sampling	Simulation
(a) Do employees authorized to work with the commercial sponsorship program receive, at a minimum, a briefing on ethics, the principles and procedures of solicitation, and evaluation of offers and file documentation?							
(b) Are the obligations and entitlements of the commercial sponsor and the MWR program incorporated into a written sponsorship agreement and do they receive a legal review by the servicing SJA?							
e. Chapter 8. MWR activities.							
(1) Amusement and vending machine operations.							
(a) Is a current and accurate inventory kept of all amusement and vending machines?							
(b) Are cash boxes emptied and serviced in the presence of an impartial observer?							
(c) Do all machines have two locks so that two keys, one from the concessionaire and one from the NAFI, are required to open it?							
(d) Are significant variances between amusement and vending machine cash collected and expected receipts investigated, documented, and retained for an audit trail?							
(e) Is amusement and vending machine collection information immediately furnished to the CAO?							

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	RESPONSE			TESTING APPROACE		<u>H</u>	
TEST QUESTIONS-continued-	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation
(f) Does the installation commander or representative appoint an impartial observer to sign for keys and participate in collections?							
(2) Army Recreation Machine Program.							
(a) Are key control procedures per chapter 8 strictly enforced at all levels?							
(b) Are activity and ARMP representatives present at all times during preventive or extended maintenance?							
(c) Are physical inventories of ARMP machines conducted annually?							
(d) Are representatives appointed and trained to participate in cash collection and maintenance observation?							
(e) Are machines safeguarded to prevent unauthorized access?							
(3) Casino games.							
(a) Are slot machines and roulette wheels prohibited in Monte Carlo events conducted in CONUS?							
(b) Are chits or play money only used for "money" in Monte Carlo events?							
(4) Libraries. Is a warning concerning copyright restrictions prominently posted near all copy machines in libraries and other appropriate places?							

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	RESPONSE			E TESTING APPROA				
TEST QUESTIONS-continued-	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation	
(5) Parachute activities.								
(a) Has the commander appointed an installation sport parachuting safety officer (ISPSO) to supervise all aspects of sport parachuting safety and an activity sport parachuting safety officer who is responsible for the sport parachuting safety program?								
(b) Do all jumpmasters and instructors hold a current USPA rating?								
(c) Is equipment maintained and inspected by FAA-certified riggers and in accordance with FAA standards?								
(6) Shooting sports/rod and gun activities.								
(a) Are monthly and annual physical inventories of ammunition and weapons, at shooting sports centers/rod and gun activities performed as prescribed in chapter 8?								
(b) Is a joint physical inventory of weapons and ammunition conducted upon change of custodians?								
(c) Are firearm sales by shooting sports centers/rod and gun activities, limited to eligible patrons, who are residents of the State in which the installation is located, and are the patrons requested to show proof of age?								
(d) Are shooting sports centers/rod and gun activities licensed as dealers by the Federal Bureau of Alcohol, Tobacco, and Firearms (ATF) to sell firearms?								

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	RES	RESPONSE Y N N			TING ROACI	<u>H</u>	
TEST QUESTIONS-continued.	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation
(e) Are all firearms transactions and sales recorded and kept permanently?							
(f) Are records of invoices for ammunition received and sold retained for at least two years?							
(7) Youth Services. Are all Youth Services staff members and volunteers screened for suitability and are background checks performed per AR 215-3 and AR 608-10?							
(8) Mobilization/contingency. Does the installation have a plan to address potential restructuring of MWR programs during contingency operations, to include establishment, modification, termination and/or reestablishment of services?							
f. Chapter 9. MWR personnel. Is a Personnel Requirements Document maintained in order to control authorization levels and for budgeting and the development of strategies?							
g. Chapter 11. Financial management.							
(1) Does the NAFI maintain a cash to debt ratio in accordance with the current fiscal year MWR Standards Assessment?							
(2) Does the NAFI generate a positive Net Income Before Depreciation (NIBD) at the percentage specified for each fiscal year?							
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TEST QUESTIONS COntinued.	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation
(3) Do the three categories of MWR activities meet the per annum Army MWR standards as prescribed in the annual budget instructions and chapter 11?							
(4) Were annual budgets for all Army NAFIs (except Civilian Welfare Funds and Billeting Funds) submitted, together with the five-year MWR plan and the Commander's narrative, to the applicable MACOM?							
(5) Are items purchased on approved budgets?							
(6) Does a NAFI's capital purchases and minor construction (CPMC) execution meet the MWR CPMC execution rate established by the MWR BOD?							
(7) Are items contained in the Capital Commitments Account supported by valid contracts or purchase orders and do the commitments meet established dollar criteria?							
(8) Are the program's financial goals and budget variance standards reflected in the activity manager's performance standards?							
(9) Are NAFI accounts maintained in local banks reported to USACFSC at least twice a year?							
<ul><li>h. Chapter 12. NAF property management.</li><li>(1) Has a NAF property identification system been implemented?</li></ul>							

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TEST QUESTIONS-continued.	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation			
(2) Is NAF property adequately insured against loss, damage, or destruction with USACFSC (CFSC-FM-I) per chapter 14 (para 14-5)?										
(3) Are physical inventories of NAF property conducted per DOD 7000.14-R, volume 13, appendix A, table 4-2 (page A-35)?										
<i>i.</i> Chapter 13. Management controls, audits, inspections, and investigations. Have annual audits (financial or compliance in nature) been conducted for all NAFIs with annual revenues or expenses exceeding \$5 million (except those NAFIs consisting of groups of activities such as IMWRFs)?										
j. Chapter 14. NAF Risk Management Program.										
(1) Does the fund manager review and update the Review of Insured Exposures annually?										
(2) Does the fund manager notify RIMP when the insurable value of contents changes more than 10 percent per location?										
k. Appendix G. Cash inventory and retail sales accountability.										
(1) Cash register.										
(a) When cash registers are not available, are sales recorded using pre-numbered forms (sales slip, DA Form 1991, NAF Receipt Vouchers, or imprinted guest check)?										

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	RESPONSE			TES APP					
TEST QUESTIONS-continued.	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation		
(b) Does management (or representative) make unannounced counts of petty cash and change funds at least quarterly?									
(2) Safekeeping of cash and bank deposit procedures.									
(a) Are daily cash receipts of \$500 or more deposited at the local bank after the close of the business day? If this is not possible, are the cash receipts held in a locked safe and deposited at the beginning of the next business day?									
(b) Are cash receipts under \$500 deposited at the local bank within 7 days of the last deposit?									
(c) Are security containers or safes for securing cash and other negotiable instruments equipped with a three-tumbler combination lock?									
(3) Check cashing.									
(a) Are written procedures in place for cashiers to follow when cashing checks and do they incorporate the controls identified in Appendix G?									
(b) Is a bad check list available for the cashier to consult and is it current?									
(c) Do cashiers initial checks to indicate the proper procedures have been followed?									

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TEST QUESTIONS - COntinued -	Y E S	N O	)	N / A	Document Analysis	Direct Observation	Sampling	Simulation	
(4) Inventory/warehouse controls.									
(a) Are monthly physical inventories conducted for resale merchandise and supplies?									
(b) Do inventory teams always include someone independent of the operation?									
(c) Are daily inventories conducted for sensitive and high dollar value items?									
(d) Is access to NAF asset or property storage areas restricted to authorized personnel?									
(5) Retail sales accountability. Are retail sales accountability tests, including a comparison of sales records to actual receipts and applying standard accounting tests based on inventory turnover, used to identify significant variances and responsibility for fraud and embezzlement?									
<i>l.</i> Appendix H. Copyright clearance procedures. Are copyright clearances requested and obtained per appendix H?									
m. Appendix M. Army Flying activities.									
(1) Are pilot qualification and medical examination records maintained by the Armed Flying Activity (AFA) manager?									

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	RESPONSE			TESTING APPROACH					
TEST QUESTIONS - Continued -	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation		
(2) Are engine and aircraft log books maintained in accordance with Federal Aviation Agency (FAA) standards?									
(3) Are AFA written maintenance discrepancies, which render an aircraft questionable for flight, signed off by authorized personnel prior to the next flight?									
(4) Are MWR AFA maintenance personnel performing maintenance on privately-owned aircraft?									
(5) Is a quality assurance program in place for fuel used in flying activity aircraft?									
(6) Are "hold harmless agreements" required for all patrons using AFA aircraft and records maintained?									
Cash inventory and retail sales accountability (compensating controls and procedures)									
a. Where key management controls are not fully implemented at MWR activities, the activity manager must establish effective compensating controls to ensure adequate management controls. An example of compensating controls would be strengthening other cash handling controls when staffing levels are inadequate to allow for proper separation of cash handling responsibilities. The manager could do one, or any combination of, the following:									
(1) Strengthen control of merchandisemore frequent inventory counts of sensitive items.									

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	RESPONSE			TESTING APPROACH				
TST QUESTIONS-continued-	Y E S	N O	N / A	Document Analysis	Direct Observation	Sampling	Simulation	
(2) Do more frequent sales accountability tests.								
(3) Have a third party validate sales in the daily activity reports with documentation supporting a cashier record.								
b. The activity manager must coordinate the implementation of compensating controls with the installation Internal Review Office, and obtain approval from the DPCA/DCA. Documentation showing this coordination and approval must be filed at the activity manager's office.								
Evaluation conducted by: (Name, Grade, Title, Office Branch, Telephone Number)	<b>Date of Evaluation</b>		ı					
Evaluation Results: (Document the evaluation results on DA Form 11-2-R, in item 7)								